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Northwest Territories Legislative Assembly

Standing Committee on Accountability and Oversight

Report on the Review of the Draft 2003-2004 Main Estimates

Chairperson: Mr. Charles Dent

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Northwest Territories Legislative Assembly
Standing Committee on Accountability and Oversight

FEB 14 2003

THE HONOURABLE ANTHONY (TONY) WHITFORD
SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Accountability and Oversight has the honour of presenting its Report on the Review of the Draft 2003-2004 Main Estimates, and commends it to the House.

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Standing Committee on Accountability and Oversight Report on the Review of the Draft 2003-2004 Main Estimates

Table of Contents

INTRODUCTION 1

Corporate Capital Planning (CCP) process 1
Main Street Paving for Non-taxed Based Communities 4
Proposed Revenue Initiatives 6
Proposed Increase to Administration Fee Surcharge 6
Evergreening – Desktop Computer Replacement Program 8

OVERVIEW 9

GROWTH IN DEPARTMENT 9

SOCIAL AGENDA - SUPPORT FOR NGOS 10

RESTRUCTURING GOVERNMENT 11

EXECUTIVE DIRECTOR FOR BEAUFORT DELTA 12

Standing Committee on Accountability and Oversight Report on the Review of the Draft 2003-2004 Main Estimates

Introduction

- The Standing Committees of the Legislative Assembly of the Northwest Territories met from January 13th to January 24th, 2003 to review the 2003-2004 Draft Main Estimates for each of the departments of the Government of the Northwest Territories.

- As part of the wrap-up process the Standing Committees on Governance and Economic Development and Social Programs brought issues that were considered to be of broad interest to all Members to the Standing Committee on Accountability and Oversight for review.

- This report will comment on both the general issues brought to the Standing Committee for review as well as issues that arose during the Committee's review of the Department of the Executive's Draft Main Estimates.

Corporate Capital Planning (CCP) Process

Regular Members continue to have concerns about the Government's new Corporate Capital Planning (CCP) process introduced during the review of the 2002-2005 Business Plans. The long-standing practice of this Government was to rank capital projects in a five-year Infrastructure Acquisition Plan by department. Government Departments were asked to prepare essential lists of necessary infrastructure projects within their respective departments and priorities were assigned based on need within the departmental capital budget.

Rather than operating from individual department infrastructure budgets the CCP process has one capital target with all projects from all departments competing for the single pot of available funding. This competition or evaluation process is based upon a Primary Rating Criteria which ranks capital projects in the following order: protection of people, protection of assets, protection of the environment, financial investment considerations, and program needs or requirements. Each project is then considered by secondary criteria founded on the following factors: scale of impact, severity of impact if the project is not completed, urgency of the project and the ability to mitigate. All Government capital projects are subject to this new funding approach.

A Capital Review Committee, comprised of deputy ministers, determines which projects should be presented in the Capital Plan based upon this model. In our Report on the Review of the 2002 - 2003 Main Estimates, the Committee stated:

> Committee Members concurred with comments made by the Standing Committee on Governance and Economic Development in its review of the 2002-2005 Draft Business Plans that this new capital planning process "may leave communities and Regular Members without effective input" and furthermore, that "these criteria, especially the protection of people, may lead to projects from larger centres being placed before the needs of smaller communities".

The Standing Committees remain concerned about the lack of effective input from Regular Members and community leaders.

In considering the new Capital Planning process on a broad level, Committee Members observed the process may have a variety of inherent flaws including:

1. The process of ranking projects by priority, which is led by the protection of people and protection of assets, unfairly penalises less developed and populated communities. Public sector spending is often the exclusive economic driver in our smallest communities. A more responsive approach that recognises the social benefits of capital spending in small communities should be adopted.

2. Many Members are concerned that because of the current structure of the CCP, a number of capital projects in large communities have continued to receive funding at the expense of capital investment in smaller communities.

3. Although final accountability for management of the public purse ultimately rests with Ministers, the membership of the Capital Review Committee is comprised in its entirety of Deputy Ministers. With this approach, Ministers may never know about all of the projects proposed, or which ones were "dropped" from consideration.

4. Regional representation on the Capital Review Committee is non-existent. All of the Deputy Ministers are Yellowknife-based and may not be as intimately aware of regional needs.

In response to concerns raised during the Standing Committees review of the 2003-2006 Business Plans, the Premier made a commitment to consult with Members and thoroughly review the CCP process. The Standing Committee on Accountability and Oversight reminded the Premier that the Regular Members should be consulted on any proposed changes to the CCP prior to the introduction of the 2003-2004 Main Estimates in February, 2003. This would have ensured that input from Regular Members was incorporated into the final capital expenditure process prior to the finalisation of the 2003-2004 Main Estimates. Despite reservations expressed by Members and concerns raised by standing committees, the Government has pressed forward with the Corporate Capital Planning process for assigning priorities to the projects presented in the 2003 -2004 Main Estimates.

Members of the Standing Committee on Social Programs were surprised to see that several significant capital projects, which do not appear to be consistent with the needs identified in the 20 year plan or in prior year's Main Estimates, appear in the 2003 -2004 Main Estimates. Members were not given clear reasons - other than the application of the new process - as to why the Government has approved one project over another.

For example, Members are unclear as to why there have been significant changes both in scope and in the start date of the Fort Smith Health Centre project. In addition Members pointed out that although Student Housing Replacement and Upgrading was identified in the 2002 - 2003 Main Estimates, it was identified as a Territorial initiative. In the new Main Estimates, however, the student housing budget has both doubled to over $5 million dollars and is concentrated in Fort Smith. Members have not seen enough detail of the ranking process to agree the Government is justified in placing the need for student accommodations in Fort Smith above the pressing need in Inuvik and Yellowknife. Finally, Members of the Social Programs Committee expressed their concern that a new $10 million dollar correctional facility for women is being proposed when the Government has failed to provide information to the Committee outlining the inadequacy of the current facility.

The Standing Committee on Accountability and Oversight discussed the capital projects in question and noted the further information provided to Committees did not convince Members that the current priority assigned to these capital projects was justified. The Standing Committee forwarded a letter to Minister Handley explaining their concerns about these projects and recommended their removal until such time as the Government had fully justified their inclusion to the Regular Members.

The Government responded to the Standing Committee in a letter of February 7, 2003. Unfortunately, it would appear that the Government plans to continue with its initial plans despite the misgivings of the Committee. The Government provided no further information that convinces Regular Members that due process is being followed. The first criterion for the decision on capital projects is that of the protection of people. The Committee has yet to be convinced that the significant increases in capital projects for Fort Smith meets that test.

The Government pointed out that much of the resources allocated for these projects are actually future years' spending and will therefore remain a part of the capital plan for the next government to review.

The Committee recognizes that future years' spending is beyond the control of this Assembly, however, the Committee is also aware that once projects are placed on a long-term plan it becomes more difficult to remove or change them. Projects become institutionalized, money is spent developing master plans and architectural renderings and communities expect that the projects they see will be coming in the years laid out. Given the timing of the election this year, the next Assembly may not have time to review the draft main Estimates in the same detail we have had this year. It is too late to remove these projects from the Main Estimates now, but Committee Members remain concerned that the Government has not been able to justify them staying in the plan.

Members hope to ensure that the new Standing Committees for the 15th Assembly are aware of this Committee's concerns. Returning Regular members will raise these issues as soon as possible in the new Assembly, and hopefully will either receive proper justification for including the projects as priorities, or vote them out of the Estimates in favour of more urgently-needed projects.

Main Street Paving for Non-taxed Based Communities

In March 2002, during the review of the 2002-2003 Main Estimates for MACA, the Committee of the Whole adopted a motion that called upon the Ministers of MACA and Transportation to develop a program to pave the main streets within non-tax based municipalities having a population greater than 500 residents and located on the Northwest Territories highway system.

Based on the above criteria, the Government advised the Members in separate correspondence that the following communities would be eligible for the paving of their main streets: Fort Resolution, Fort Liard, Fort Providence, Fort McPherson and Rae-Edzo.

During the review of the Department's draft 2003-2004 Main Estimates, the Department provided the Members with a preliminary implementation schedule for the Main Street Paving Program for Non-taxed Based Communities.

However, Committee Members noted with concern that Tuktoyaktuk, an ineligible community in the Minister's own riding, is proposed to receive $1,250,000 for the chipsealing of its main street over the next five fiscal years. The Governance and Economic Development Committee noted that for the total amount of $800,000 being spent in 2003-2004, Tuktoyaktuk will be receiving $600,000 or 75 per cent of the funding. Although Tuktoyaktuk has a population of 979, it is not on the NWT highway system.

The GED Committee brought this item to all Regular Members for consideration. The AOC Committee included this issue in their letter of concern about capital projects. Once again the Committee felt that the Minister had failed to provide adequate information to justify this significant shift in policy.

In the response to AOC of February 7, 2003, the Government indicated that the Financial Management Board Secretariat had decided to extend the program to communities not on the highway system. The Government further stated that since the Department of Transportation's gravel crusher is going to be in the area over the summer of 2003 anyway, that it was merely good financial sense to go ahead with paving for Tuktoyaktuk.

Several Members questioned this logic. One Member pointed out that there would also be gravel crushed in the community of Lutselk'e over the summer of 2003. When he asked if this community could be brought in under the program, he was told by the Minister that the hamlet did not meet the criteria. Another Member mentioned that gravel is rather permanent and could easily be stockpiled until the road is paved some time in the future.

The Standing Committee on Accountability and Oversight continues to maintain that the paving of main streets in the NWT should not be ranked on the basis of convenience. Since the Government claims to follow the Corporate Capital Planning process, one would expect its criteria to impact the ranking decisions in this programme as well. As the first criteria for the CCP is the protection of people, the decision regarding a community's timeline for paving should be based on concerns about people's health in the community due to large concentrations of dust. Until the Minister can clearly show that the community of Tuktoyaktuk is significantly more at risk than any other NWT community, the Standing Committee on Accountability and Oversight would suggest that the Department revise their current schedule for main street paving.

Proposed Revenue Initiatives

In bringing forward the draft Main Estimates to Committee in January, the Government proposed a number of revenue initiatives to reduce and better manage the forecasted cash deficit for the 2003-2004 fiscal year. On Friday, January 17, 2003, the Government gave a full briefing to Regular Members on the proposed revenue initiatives.

Committee Members were concerned about the impact of the proposed revenue initiatives upon the already high cost of living in the Northwest Territories.

Proposed revenue increases on tobacco and liquor are forecast to raise respectively $2,500,000; and $1,000,000 for a total of $3,500,000 for the Government in 2003-2004 and a subsequent $3,500,000 for 2004-2005.

While Committee Members understand that raising "sin" taxes may help decrease their use, they know this is a double-edged sword. Tobacco and liquor price increases impact addicted individuals and their families hardest. Those addicted are often in low or fixed income families – who would be affected the most. The Standing Committee on Accountability and Oversight reiterated its concerns to the Minister in a letter that stated "a majority of Committee Members will support the proposed increases to tobacco and liquor taxes".

Proposed Increase to Administration Fee Surcharge Department of Public Works and Services

The Standing Committee is aware that while the majority of communities in the NWT provide their own water and sewer services there are currently four communities that rely on the Department of PWS to deliver that service. These communities have signed agreements with the Department which bind them to accept the Department's maintenance services on the necessary infrastructure.

During the review of the Government's 2002-2003 Main Estimates the Standing Committee on Governance and Economic Development took issue with the fact that the four communities are currently being charged an additional nine per cent administration fee. This fee is over and above the amount being paid to the Department for other work done on a community's behalf.

The Committee was aware that the majority of the money spent by the community on services is ultimately recovered from the Department of Municipal and Community Affairs. Therefore the Committee did not feel that it was appropriate for the Department of PWS to unilaterally impose a charge which will ultimately come from another GNWT Department. Members suggested that this issue be considered by the Standing Committee on Accountability and Oversight so that all Regular Members could have input.

The AOC Committee considered the matter and made the following recommendation in its Report on the 2002-2003 Main Estimates.

> *The Standing Committee on Accountability and Oversight recommends that the Financial Management Board Secretariat reconsider the surcharge of 9 percent on services performed on behalf of community governments.*

The Standing Committee on Governance and Economic Development reviewed the Department's 2003-2006 Business Plans in September of 2002. At that time the Minister announced that there would be an increase in the administration fee from 9 per cent to 16 per cent effective immediately. Justifying the increase, the Minister stated that he had been directed by the Financial Management Board to obtain full cost recovery for all services provided to the communities.

The Standing Committee on Governance and Economic Development once again pointed out that it did not support even a 9 per cent administration fee levied on work done by the Department for communities and would certainly not support an increase of this fee to 16 per cent. Furthermore, the Committee expressed concern that a large increase in the middle of the fiscal year would be an undue hardship on small communities that had not factored such an increase into their budgets. The Minister agreed to delay the implementation of the increase to April 1, 2003. The GED Committee recommended that this issue be reviewed by the AOC.

Regular Members were subsequently informed that other GNWT departments are currently charging considerably less in administrative cost recoveries. For example, Nunavut is charged a 6.5 per cent administration fee for work done on their behalf by the GNWT. Members failed to understand why we would charge a higher fee to NWT residents than is charged for services delivered to non-residents. The Standing Committee on Accountability and Oversight suggests the Government use a consistent method for determining administrative costs. Then, if fees are to be recovered, they can (and should) be levied fairly.

The Standing Committee on Accountability and Oversight sees water and sewer as an essential service and would like to see all municipalities obtain full control over the delivery of these services. The Committee urges the Government of the Northwest Territories and the mayors of the concerned communities to fully co-operate in preparing for the take-over by agreeing on a timeline for the gradual transfer of water and sewer services. We suggest that a period of 3 to 5 years should be adequate. However, any transfer of these vital services must include adequate resources and training to the affected communities. To encourage the departments to move quickly to devolve responsibility, the Committee suggested the removal of all administration charges.

In response, the Government stated it had reviewed the proposed charge and has instructed the Department to withdraw the planned increase to the fee. However, the Government also said that the fee will remain at the current 9 per cent charge until a thorough review has taken place.

In order to encourage the Department to work proactively to achieve this transfer of responsibility, the Committee makes the following recommendation:

> ***The Committee strongly recommends that no water and sewer services administration fees be charged by Public Works and Services until the complete transfer of such services to all communities is concluded.***

Evergreening – Desktop Computer Replacement Program

During the review of the 2003-2006 Business Plans, the Standing Committee took note that the GNWT appears to have adopted a three-year replacement schedule for desktop computers called Evergreening. The GNWT stated that for desktop and presumably laptop computers the Government has concluded that a three-year replacement cycle is the best balance between functionality and cost.

The Standing Committee reviewed this program and decided that while some computers involved in technical work such as graphics or mapping may need to be replaced frequently, other computers that are used simply for word processing may not. The Standing Committee recommended in their Report on the Business Plans that the Government review this program and extend the three-year replacement schedule wherever possible.

The Standing Committee was informed that all decisions regarding computer policy are now under the direction of the new Chief Information Officer within the Financial Management Board Secretariat. In their reply to the Committee, the Government stated that it will review the program but still regards the three-year replacement schedule as a necessary expense.

The Standing Committee also recommended in the Report on Business Plans that the Government consider donating to communities and non-governmental organizations all computers deemed to be obsolete. The Government agreed with this recommendation and stated that it would explore the options.

Members are aware that the Knowledge Management Strategy will attempt to centralise and harmonise computer service and purchasing for the GNWT. The Standing Committee would like to be assured that there will not be excessive additional costs for IT services once the Knowledge Management Strategy is fully implemented.

Review of the 2003-2004 Draft Main Estimates Department of the Executive

Overview

- The Standing Committee on Accountability and Oversight met with the Premier on January 13, 2003 to review the Department of the Executive's draft 2003-2004 Main Estimates.

- The Department of the Executive is proposing an increase of $32,000 to its proposed operations expenses budget from the amount presented to Committee in September, when we reviewed the Business Plans for 2003-2006. The increase is due to an increase in the grant-in-kind lease for the NWT Native Women's Association.

Growth in Department

- As the Committee reviewed the Department's proposed increase in Operations Expenditures, Members expressed concern about the ever-expanding resource allotment for non-service departments of the GNWT.

- Members of the Committee are particularly concerned that departments such as the Executive and the Ministry of Aboriginal Affairs, that do not deliver services to the public, have significantly increased their yearly budgets.

- Prior to the division of the NWT and Nunavut the Department of the Executive's budget was approximately $10 million (1998-99 Main Estimates, p. 2-9). The budget for 2003-2004 is projected to be almost $15 million, a growth of over 50 per cent since the beginning of this Assembly. Post-Division, one would expect that costs should have decreased, if anything. Members encourage the Department to find ways to limit growth and address new priorities from within the Department rather than continually increasing their annual budget.

Social Agenda - Support for NGOs

- During the review of the 2003-2006 Business Plans the Standing Committee on Accountability and Oversight pointed out a lack of resources for implementation of the recommendations from the Social Agenda report.

- Shortly afterwards the Government tabled *Doing Our Part – The Government's Response to the Social Agenda* in the Assembly. A subsequent briefing was provided to the Committee outlining a proposed investment of $1.4 million for the 2003-2004 fiscal year.

- The Committee reviewed the intended investments and noted a planned expenditure of $170,000 for the Department of the Executive from the Social Agenda funding. A total of $50,000 was to be allotted for administration related to the implementation and communication of Social Agenda recommendations while the remaining $120,000 was to address a shortage of space available to the Status of Women Council of the NWT.

- The Committee sent a letter to the Premier outlining their support for the allocation of resources for the Social Agenda but also expressing concern that funds appeared to address long-standing concerns of Departments rather than front-line actions. For that reason, the Committee recommended that the need for additional funding by the Status of Women Council of the NWT be addressed within the Department of the Executive's budget rather than under funding labelled as responding to the Social Agenda recommendations.

- After reviewing the draft 2003-04 Main Estimates it appeared that the Department had chosen instead to cut the Social Agenda-related funding to $32,000. Then Members became aware that the Status of Women Council of the NWT had recently moved into new offices leased by the GNWT.

- The Premier explained that the Status of Women Council of the NWT is actually a public agency, pursuant to legislation enacted by the legislature, and is therefore entitled to occupy government-owned or leased premises. The Government decided to move the Council office into space in the Northwest Tower. The Department then provided an additional $32,000 in grant-in-kind funding to the Native Women's Association of the NWT to allow them to expand into the Status of Women Council's previous office space.

- The Standing Committee is pleased to see that their concerns about labelling Social Agenda funding were at least partially addressed and that the subsequent decision adequately accommodated both women's organisations without incurring a significant increase in resources.

Restructuring Government

- During the review of the Business Plans, the Premier informed the Committee that as part of planning for transition to the 15th Assembly, a number of task teams of Deputy Ministers are looking at possible ways of restructuring and streamlining government services and departments. These task teams are referred to as the Cost Mitigation Task Teams. The Premier stated that a draft plan would be available in March 2003 that would contain their general and specific recommendations.

- A subsequent briefing on the Corporate Review and Transition Planning Project indicated that four Interim Reports would be made available to the Committee in order that Regular Members would be able to review proposed changes and offer input. These reports were to be provided in November 2002 and February, June and September 2003.

- During the review of the Main Estimates however, the Premier indicated that a draft report would not be made available until May/June of this year. Members are concerned that this leaves little time for them to have adequate knowledge of and input to the proposed changes for the new Government of the Fifteenth Legislative Assembly.

- A letter was sent to the Premier requesting confirmation that the Interim Reports will be provided as initially indicated during the review of the Business Plans.

Executive Director for Beaufort Delta

- Regular Members noted that a new Executive Director position for the Beaufort Delta had been created. The Premier stated that this was a commitment he had made during a conference in the Beaufort/Delta to assist in regional co-ordination in preparation for the implementation of a final self-government agreement.

- Members asked when other regions participating in self-government negotiations would be entitled to similar positions within their own regions. The Premier advised the Committee that as other groups progress in their negotiations that the Government will consider adding positions as they become necessary.

- During the review of the Main Estimates Members asked for and received a copy of the job description for the position. Members also became aware that this new regional office was being implemented on a one-year term basis and the effectiveness of the new division would be evaluated before permanent status would be given.

- Members are interested in knowing more about the evaluation process and potential measuring sticks to be used to gauge effectiveness of the office. Members are somewhat concerned, as well, by the short period of time that the Director has to prove the division's usefulness to the region and Department.